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Anglo-Rouyn

MINES LIMITED

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payments
in order

Annual Report 1965

Anglo-Rouyn

MINES LIMITED

ANNUAL MEETING

The Annual meeting of the Shareholders of the Company will be held on Monday, April 25, 1966 at 10.30 a.m. (Toronto time) in the Board of Trade Building, 11 Adelaide Street West, Toronto, Canada.

Annual Report 1965

Anglo-Rouyn Mines Limited

Officers

W. B. Malone	President
W. P. Arnold	Vice-President
G. R. Devey	Secretary
A. G. Goodeve	Treasurer
M. D. Lawton	Mine Manager

Directors

W. P. Arnold	Toronto, Ontario
G. Baker	Toronto, Ontario
Salter A. Hayden	Toronto, Ontario
W. B. Malone	Toronto, Ontario
J. A. Sadler	Toronto, Ontario

Head Office

Suite 1100, 335 Bay Street,	Toronto, Ontario
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Transfer Agent and Registrar

Crown Trust Company	Toronto, Ontario
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Shares Listed

Toronto Stock Exchange	Toronto, Ontario
Canadian Stock Exchange	Montreal, Quebec

Directors' Report to the Shareholders

On behalf of the Board of Directors of the Company, I take pleasure in presenting the Annual Report of the Company for the year ended December 31, 1965. It comprises the Financial Statement for the year, the report of the auditors thereon and the report on the Company's mining operations.

Your Board is particularly pleased to be able to report the bringing into production of the Company's copper mine at Waden Bay in the Lac La Ronge district of Saskatchewan. The first shipment of copper concentrate was made in early February, 1966. This was the climax to an extensive program of surface construction and underground development which started in January, 1965 and was completed twelve months later in spite of a wet summer and a very severe winter and, in addition, a shortage of skilled labour.

Surface construction for this 900 ton-a-day operation included the rehabilitation of the original campsite and the construction of the concentrator, diesel-electric power station, mine service buildings and offices. Underground work started with the dewatering of the existing shaft and was followed by the deepening of the shaft to the 800-foot level and underground development; by January, 1966, approximately 6,000 feet of underground development had been completed. This included a loading pocket, the ore and waste-pass systems connecting five main levels and a second opening and return airway in the form of a ventilation raise and manway from the second level to surface.

An underground diamond drilling program was started early in August, 1965 with the principal object of outlining the orebody as an aid in planning the mine workings. To date, 9,500 feet of underground diamond drilling has been done. Early in 1966, eight holes were drilled in the "A" zone to establish the boundaries of an open-pit operation which is now in production to provide supplementary mill-feed for the first few months of 1966. A further nineteen holes, for which assay results are not yet complete, were drilled in the "B" zone to determine whether it also might be mined by the open-pit method. These 27 holes total 2,222 feet of drilling.

In 1965 a general program of surface diamond drilling was carried out during the period February 9 to June 23. Thirty-one holes totalling 16,236 feet were completed of which seven were in the "A" zone, four in the "B" zone, one in the "C" zone, eleven in the "D" zone, six on the adjacent 144-Claim group and two holes were drilled south of the "A" zone to complete a cross-section of the sedimentary series of rocks. Three of the holes in the "A" zone and three in the "D" zone intersected ore mineralization. Of the remaining holes, five intersected ore mineralization, though not over mineable widths; ten intersected low-grade mineralization and ten intersected little or no mineralization. As a result of this program, approximately 51,000 tons of ore grading 2.4 per cent copper were added to the ore reserves of the "A" zone and a small tonnage was indicated in the "D" zone.

Zones "A", "B" and "C" are considered to be within reasonable working distance of existing facilities. Ore reserves in these three zones at the beginning of operations in 1966 were estimated to be 2,000,000 tons with an average grade of 2.4 per cent copper, after dilution.

Construction of the mill was completed by mid-January, 1966 but start-up and tune-up were hindered by the extreme midwinter weather experienced during January and February when temperatures remained at about 40° below zero Fahrenheit for days on end; on January 28, a temperature of 65° below zero Fahrenheit was recorded. Some

freezing occurred in the fine-ore bin, and outside work became almost impossible, particularly in the open pit.

An essential part of the development of this mine has been the building of new roads. A six-mile access road was constructed jointly by the Company and the Saskatchewan Government to connect the mine with the main highway at a point a few miles north of La Ronge. To the south and east of La Ronge, the Saskatchewan Department of Highways completed, in a very short time, a new road which halved the distance between the mine and Flin Flon where the nearest copper smelter is located. The building of this road is a key factor in making the mining operation feasible.

Transportation of the copper concentrate produced at the mine is by special tractor-trailers of 92,000 pounds capacity. The concentrate is delivered to the Flin Flon smelter of Hudson Bay Mining and Smelting Company Limited and the blister copper produced there is taken for refining to Noranda Sales Corporation Ltd. at Montreal.

The work force at the property numbers approximately 180 employees. The majority of them live in the bunkhouses provided at the minesite but, in order to attract an adequate force of skilled men to the property, it was decided to build up to thirty-five houses in La Ronge at an estimated total cost of \$588,000. It is expected that approximately 70 per cent of this amount will be borrowed from the federal Central Mortgage & Housing Corporation. Fifteen of the houses have been completed and are being occupied and the other units are scheduled to be completed during 1966. A serviced park is being provided by the Village of La Ronge to accommodate employees who wish to live in trailers.

La Ronge is a district having an Indian and Metis population which lives principally by the tourist trade and fishing and trapping. The steady employment now available at the mine property is, therefore, having a beneficial effect on the economy of the area, particularly as approximately 30 per cent of the mine employees are local men.

Your Company signed an initial agreement with the Rock, Tunnel and Potash Workers' Union in December, 1965. This will lead to an increased cost over the three-year term of the agreement of approximately 72 cents per hour for each employee, mainly as a result of a systematic reduction of weekly hours of work from 48 to 40 while employees' take-home pay will remain unchanged.

Expenditures on plant, equipment and supplies, preproduction work, townsite housing and financing costs in the period between November, 1964, when the decision was made to bring the mine into production, and December 31, 1965, totalled \$3,891,220. Expenditures prior to November, 1964 amounted to \$1,300,162, including mining properties, thus bringing total capital expenditures at December 31, 1965 to \$5,191,382. It is estimated that the cost to complete the mine construction and housing program and to bring the operation into full production will be \$1 million in 1966, of which approximately \$700,000 had been expended by the end of February. The necessary funds are being provided by the Company's bankers, the federal Central Mortgage and Housing Corporation and Rio Algom Mines Limited. During the year the financing arrangements as set out in the last Annual Report, have been modified and they are now as follows: (a) the bank loan limit has been increased by \$600,000 to a maximum of \$4,100,000 and (b) the value of machinery and equipment which Rio Algom has agreed to supply from its closed-down uranium mines on deferred payment terms, has been increased to \$800,000. It is to be noted that because machinery and equipment from the Elliot Lake

mines of Rio Algoma were readily available substantial savings in time and money were effected by the Company.

The monthly fee payable to Rio Algoma for management services will be reduced to \$5,000 a month from \$10,000 as soon as the operation has been tuned up to its normal production rate.

It will be appreciated that many unusual difficulties were encountered during the construction phase and your Directors congratulate all personnel on their achievement. With regret, your Directors record the recent death of Frank Willett as a result of an automobile accident. After many years with Rio Algoma, he was appointed Mill Superintendent of the Company and his contribution during the construction of the surface facilities was of great importance.

Your Directors confirm the appointment of Mr. M. D. Lawton as Mine Manager. Mr. Lawton was Resident Project Engineer during the last phase of construction.

They are also pleased to announce the election of Mr. W. B. Malone as President of the Company. As First Vice-President of Rio Algoma Mr. Malone has been closely associated with the Company for many years. The vacancy he filled was created by the resignation of Hon. Robert H. Winters who succeeded Mr. George De Young upon the latter's retirement in May, 1965. While your Directors regret losing the valuable services and counsel of Mr. Winters, their best wishes go with him on his election to Parliament and his appointment as Minister of Trade and Commerce.

On behalf of the Board
W. B. MALONE
President

March 22, 1966

Auditors' Report

To the Shareholders of Anglo-Rouyn Mines Limited:

We have examined the balance sheet of Anglo-Rouyn Mines Limited as at December 31, 1965 and the statement of exploration, development and administration for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of exploration, development and administration present fairly the financial position of the company as at December 31, 1965 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
February 18, 1966

COOPERS & LYBRAND
Chartered Accountants

Anglo-Rouyn Mines Limited

(Incorporated under the laws of Ontario)

Balance Sheet as at December 31, 1965

(with comparative figures for 1964)

ASSETS

	<u>1965</u>	<u>1964</u>
CURRENT:		
Cash	\$ 72,766	\$ 19,680
Accounts receivable	28,714	2,578
	<u>101,480</u>	<u>22,258</u>
INVESTMENT IN SHARES of Here Fault Copper Limited, at cost (no quoted market value)	<u>40,000</u>	<u>40,000</u>
FIXED, AT COST:		
Mining properties	79,000	79,000
Buildings, machinery and equipment and construction in progress	2,702,601	276,482
	<u>2,781,601</u>	<u>355,482</u>
OTHER ASSETS AND DEFERRED EXPENDITURES, at cost:		
Mine supplies, at cost	95,187	—
Preproduction, development and administration	2,314,594	970,193
	<u>2,409,781</u>	<u>970,193</u>
	<u><u>\$5,332,862</u></u>	<u><u>\$1,387,933</u></u>

The accompanying notes are an integral part of the

LIABILITIES AND SHAREHOLDERS' EQUITY

	1965	1964
CURRENT:		
Bank loan (secured) (note 1)	\$2,700,000	\$ —
Accounts payable and accrued liabilities	580,395	44,156
Rio Algoma Mines Limited, parent company	45,598	—
Due to associated companies	23,167	—
	<u>3,349,160</u>	<u>44,156</u>
ADVANCES FROM:		
Rio Algoma Mines Limited (note 2)	698,727	58,802
SHAREHOLDERS' EQUITY:		
Capital stock:		
Authorized:		
5,000,000 shares with a par value of \$1 each		
Issued:		
4,807,585 shares	4,807,585	4,807,585
Less discount on shares	2,766,447	2,766,447
	<u>2,041,138</u>	<u>2,041,138</u>
Deficit, no change during the year	756,163	756,163
	<u>1,284,975</u>	<u>1,284,975</u>
Approved on behalf of the board:		
W. B. MALONE Director		
SALTER A. HAYDEN Director		
	<u><u>\$5,332,862</u></u>	<u><u>\$1,387,933</u></u>

ement and should be read in conjunction therewith.

Statement of Exploration, Development and Administration

FOR THE YEAR ENDED DECEMBER 31, 1965

BALANCE, December 31, 1964	\$ 970,193
EXPENSES FOR THE YEAR:	
Access road	\$122,249
Surface exploration and diamond drilling	101,174
Shaft sinking and mine development	449,124
Mill tune-up	4,104
Mine and general administration	457,862
Head office administration	139,023
Interest expense	70,865
BALANCE, December 31, 1965	<u>1,344,401</u> <u>\$2,314,594</u>

The accompanying notes are an integral part of this statement and should be read in conjunction therewith.

Notes to Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 1965

1. For the purpose of bringing the Company's mine into production a bank loan of \$4,100,000 has been arranged. The loan is secured by way of assignment of ore concentrates, supplies etc. under section 88 of the Bank Act, a registered general assignment of accounts receivable and a first mortgage bond of \$4,100,000.
2. Advances from Rio Algom Mines Limited made in the form of mining equipment are subordinated to the bank loan under the terms of the loan agreement (see note 1 above).
3. At December 31, 1965 the Company had contracted commitments with contractors for the completion of construction work to the extent of \$200,000.



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